

Quorum

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Introduction

The demographic trends in the United States and Europe indicate that the population is aging and that there are declining numbers of younger people entering the workforce. In the United States, this macro trend is creating tensions between immigration as a source of much needed younger employees and social programs, such as Social Security, Medicare, and Medicaid, designed to care for the elderly. I have already written about the value of older, more experienced employees in the article “Walking out the Door”. Thinking about immigration and Social Security, I have taken a “Back of the Envelope” approach to explore a conceivable solution to what seems to be two unsolvable problems.

Back of the Envelope – Social Security and Illegal Immigration

Everyone is concerned about the cost and solvency of Social Security, Medicare and Medicaid. These three programs represent approximately 65% of all federal expenditures; and approximately 16% of GDP. The Congressional Budget office estimates that the trust funds for Social Security, Medicare and Medicaid, are underfunded by approximately 0.6% of GDP, or \$87 billion. Clearly, without meaningful action, these programs are at risk.

Homeland security estimates that there are approximately 11.5 million illegal immigrants living in the United States and approximately 500,000 new illegal immigrants enter the country each year. Many of these illegal immigrants have paid tens of thousands of dollars in fees and bribes to smugglers and officials to come to America. However, once here, The Department of Homeland Security indicates few illegal immigrants are involved with serious crime. It is also noteworthy that a recent study by Professor Robert Fairlie, of the University of California at Santa Cruz, and the Kaufman Foundation for Entrepreneurship has indicated that, in 2009, for every 100,000 adults in the United States, approximately 310 started new businesses. The study also indicates that for every 100,000 adult immigrants, of all ethnicities, living in the United States, 510 started new businesses. Further, for every 100,000 adult Latinos living in the United States, approximately 460 started new businesses.

For hard political reasons, Congress needs to find a way to solve the funding problem for Social Security, Medicaid and Medicare. As an equally hard practical reality, people want to immigrate to America, illegally if necessary, in order to build a better future for themselves and their families. So, the question is: could changing national immigration policy solve the Social Security funding problem?

The Back of the Envelope

What if each illegal immigrants currently living in the US, could obtain a visa at a cost of \$15,000, providing the right to work in the United States and, under certain conditions, become US citizens?

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In addition, what if all people wishing to legally come to the United States and work could get the same visa for \$10,000 with the right, under certain conditions, to become American citizens? Lastly, assume that all the money generated by the visa fees, would be exclusively used to fund the Trust Funds for Social Security, Medicare and Medicaid.

The conditions of the visas might be as follows. All immigrants would be required to have a US citizen or business as a guarantor. Until they become full naturalized US citizen, no immigrant would be entitled to any benefits granted US Citizens, by the United States Government. Upon receiving a visa, they would be issued a Social Security number and required to file Federal and State Tax returns; evidence of all three would be required for naturalization as an American Citizen. In the event the immigrant violates any of these conditions, they would be subject to immediate deportation, their guarantor would be unconditionally liable for any amounts due the Government, and the immigrant forfeits any funds they have paid or that have been paid on their behalf.

If the 11.5 million illegal immigrants, currently living in the US, accepted this deal, that would generate approximately \$172 billion for the Trust Funds. If the 500,000 illegal immigrants, who come to the US each year also accepted this deal, then that would provide an additional \$5 billion annually to the trust funds. In addition, these now legal immigrants are likely to start almost 45,000 new businesses; Wow!

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